

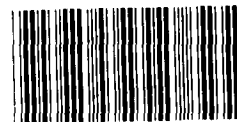
GAO

United States General Accounting Office 131837  
Report to the Clerk of the  
House of Representatives

December 1986

# FINANCIAL AUDIT

## House Stationery Revolving Fund Statements—June 30, 1986 and 1985



131837

037652



Comptroller General  
of the United States

B-114862

December 22, 1986

The Honorable Benjamin J. Guthrie  
Clerk of the House of Representatives

Dear Mr. Guthrie:

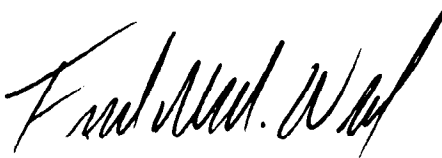
As requested in your letter of April 15, 1986, we have examined the balance sheets of the House of Representatives Stationery Revolving Fund as of June 30, 1986 and 1985, and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We completed our audit work on September 15, 1986.

In our opinion, the financial statements referred to above present fairly the financial position of the House of Representatives Stationery Revolving Fund as of June 30, 1986 and 1985, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements, applied on a consistent basis.

This report contains our report on internal accounting controls and compliance with laws and regulations. It also includes the Fund's financial statements and accompanying notes for the fiscal years ended June 30, 1986 and 1985.

We are sending a copy of this report to the Chairman of the Committee on House Administration.

Sincerely yours,

for 

Charles A. Bowsher  
Comptroller General  
of the United States

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Table 1: Identifiable Operating Costs	
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# Report on Internal Accounting Controls and Compliance With Laws and Regulations

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We have examined the financial statements of the House of Representatives Stationery Revolving Fund for the fiscal years ended June 30, 1986 and 1985. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our study and evaluation of the system of internal accounting controls and our review of compliance with laws and regulations for the fiscal year ended June 30, 1986. (Our report on internal accounting controls and compliance with laws and regulations for the fiscal year ended June 30, 1985, is presented in GAO/AFMD-86-27, dated March 13, 1986.)

As part of our examination, we made a study and evaluation of the Fund's system of internal accounting controls to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements.

For the purpose of this report, we have classified the significant internal accounting controls in the categories of receipts, disbursements, equipment, inventory, and receivables.

The management of the Fund is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles and the financial accounting policies described in note 1 to the financial statements.

Because of inherent limitations in any system of internal accounting controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of internal accounting controls was made for the purpose described in the second paragraph. It was more limited than would be necessary to express an opinion on the system of internal accounting controls taken as a whole or on any categories of controls specifically identified, and it would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the Fund's system of internal accounting controls taken as a whole or on any of the categories of controls identified. However, our study and evaluation disclosed no condition that we believed to be a material weakness that would affect our expressing an opinion on the Fund's financial statements.

As part of our examination, we also tested the Fund's compliance with applicable laws and regulations. In our opinion, the House of Representatives Stationery Revolving Fund complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our examination, that caused us to believe that the Fund was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

# Balance Sheet

	June 30,	
	1986	1985
<b>Assets</b>		
Current Assets		
Cash in U.S. Treasury	\$1,920,704	\$2,024,449
Petty cash	1,500	1,500
Accounts receivable	41,208	50,094
Merchandise inventory	1,226,226	1,045,775
<b>Total current assets</b>	<b>3,189,638</b>	<b>3,121,818</b>
Fixed Assets		
Equipment	246,759	217,189
Less accumulated depreciation	174,207	133,202
<b>Total fixed assets</b>	<b>72,552</b>	<b>83,987</b>
<b>Total Assets</b>	<b>\$3,262,190</b>	<b>\$3,205,805</b>
<b>Liabilities and Government Equity</b>		
Liabilities		
Accounts payable	\$209,703	\$314,658
Deferred income	55,648	82,324
<b>Total liabilities</b>	<b>265,378</b>	<b>396,982</b>
Government Equity		
Contributed capital	1,600,000	1,600,000
Fund balance		
Balance at beginning of year	1,208,823	1,045,984
Net income	187,989	162,839
Balance at end of year	1,396,812	1,208,823
<b>Total government equity</b>	<b>2,996,812</b>	<b>2,808,823</b>
<b>Total Liabilities and Government Equity</b>	<b>\$3,262,190</b>	<b>\$3,205,805</b>

The accompanying notes are an integral part of this statement.



# Statement of Operations

	Fiscal years ended June 30,	
	1986	1985
<b>Revenue</b>		
Net sales	\$6,781,891	\$6,573,900
Service charges	131,759	123,322
<b>Total revenue</b>	<b>6,913,650</b>	<b>6,697,222</b>
<b>Operating Expenses</b>		
Cost of sales	6,684,416	6,498,785
Depreciation expense	41,005	35,531
Loss on accounts receivable	240	67
<b>Total operating expenses</b>	<b>6,725,661</b>	<b>6,534,383</b>
<b>Net income</b>	<b>\$187,989</b>	<b>\$162,839</b>

The accompanying notes are an integral part of this statement.

# Statement of Changes in Financial Position

	Fiscal years ended June 30,	
	1986	1985
<b>Funds Provided</b>		
Net income from operations	\$187,989	\$162,839
Provision for depreciation	41,005	35,531
Cash from operations	228,994	198,370
Decrease in accounts receivable	8,886	0
Decrease in merchandise inventory	0	259,430
Increase in deferred income	0	25,174
<b>Total funds provided</b>	<b>237,880</b>	<b>482,974</b>
<b>Funds Applied</b>		
Increase in accounts receivable	0	6,597
Increase in merchandise inventory	180,451	0
Decrease in accounts payable	104,928	75,014
Decrease in deferred income	26,676	0
Purchase of equipment	29,570	42,996
<b>Total funds applied</b>	<b>341,625</b>	<b>124,607</b>
<b>Increase (Decrease) in Cash</b>	<b>\$(103,745)</b>	<b>\$358,367</b>

The accompanying notes are an integral part of this statement.

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# Notes to Financial Statements

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## Note 1. Significant Accounting Policies

The House of Representatives Stationery Revolving Fund, established July 17, 1947 (2 U.S.C. 46b-1), is administered by the Office Supply Service under the jurisdiction of the Clerk of the House of Representatives and is subject to the rules and regulations of the Committee on House Administration. The Office Supply Service furnishes House Members, committees, departments, and officers with stationery and supplies.

Office Supply Service operations are financed from the House of Representatives Stationery Revolving Fund and appropriations to the Clerk of the House and the Architect of the Capitol. All receipts from operations are deposited into the revolving fund and are available for operations. Employees' salaries and benefits and certain other benefits and services such as space, building repairs, maintenance, and utilities are paid from appropriated funds and are not charged to the revolving fund. (See note 3.)

Inventories are stated at cost using the moving-average method of valuation.

Equipment purchased prior to fiscal year 1982 is depreciated over a 10-year life using the straight-line method with no salvage value. Equipment purchased in fiscal year 1982 and later years is depreciated over a 5-year life using the straight-line method with no salvage value.

A 10-percent service charge is added to all nonofficial sales, which consist primarily of sales to congressional staff.

Accounts receivable include amounts owed to the Office Supply Service at year-end by committees, departments, and officers of the House, and the value of merchandise returned to vendors for credit, replacement, or repairs.

Deferred income represents amounts to be recognized as revenue in subsequent periods when prepaid special order merchandise is delivered.

Cost of sales includes the value of obsolete and damaged merchandise written off and merchandise marked down and sold below cost.

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## Note 2. Purchase Order Commitments

Obligations for undelivered orders amounted to \$587,500 as of June 30, 1986, and \$682,321 as of June 30, 1985.

**Note 3. Other Operating Costs**

Certain costs of operating the Office Supply Service are not paid from the revolving fund. The costs related to space occupancy, building maintenance, lighting, and temperature control cannot be readily determined. Identifiable costs paid from appropriated funds for the fiscal year ended June 30, 1986, follow.

**Table 1: Identifiable Operating Costs**

<b>Costs paid</b>	<b>Amount</b>
Gross salaries	\$795,690
Government contributions	98,874
Equipment maintenance	48,243
Office supplies	15,774
Telephone service	6,242
<b>Total</b>	<b>\$964,823</b>

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